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No. 86-757

Supreme Court, U.S.

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1986

OLYMPUS CORPORATION,
v. *Petitioner,*

UNITED STATES, *et al.*,
K MART CORPORATION, and
47TH STREET PHOTO, INC.,
Respondents.

**BRIEF FOR RESPONDENT
K MART CORPORATION**

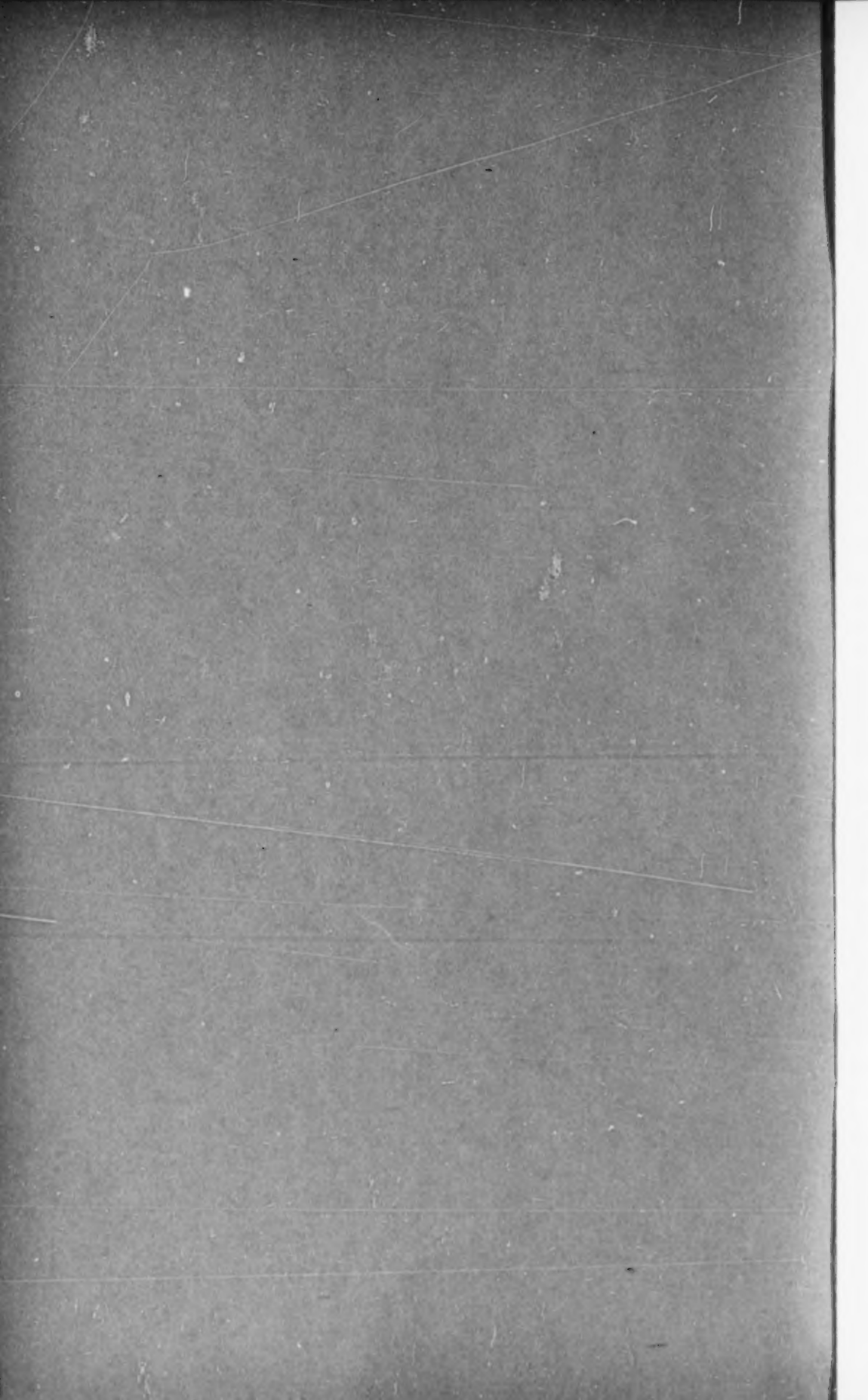
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December 10, 1986



QUESTION PRESENTED

Whether the United States Customs Service regulation relating to the importation of genuine trademarked goods manufactured overseas by or for a United States trademark owner or its foreign affiliate is reasonably related to Section 526 of the Tariff Act of 1930.

PARTIES TO THE PROCEEDING BELOW

Petitioner

Olympus Corporation is a wholly owned subsidiary of Olympus Optical Co., Ltd., a Japanese corporation.

Respondents

United States of America.

James T. Baker, III is Secretary of the Treasury (formerly Donald T. Regan).

William von Raab is Commissioner of Customs.

K mart Corporation is a national discount retailer which purchases parallel imports in substantial quantities.

47th Street Photo, Inc. is a New York City retailer of electronic and photographic equipment which purchases parallel imports in substantial quantities.

Rule 28.1 Listing

K mart Corporation states that it is a publicly held corporation with no parent companies, subsidiaries or affiliates to list pursuant to Rule 28.1.

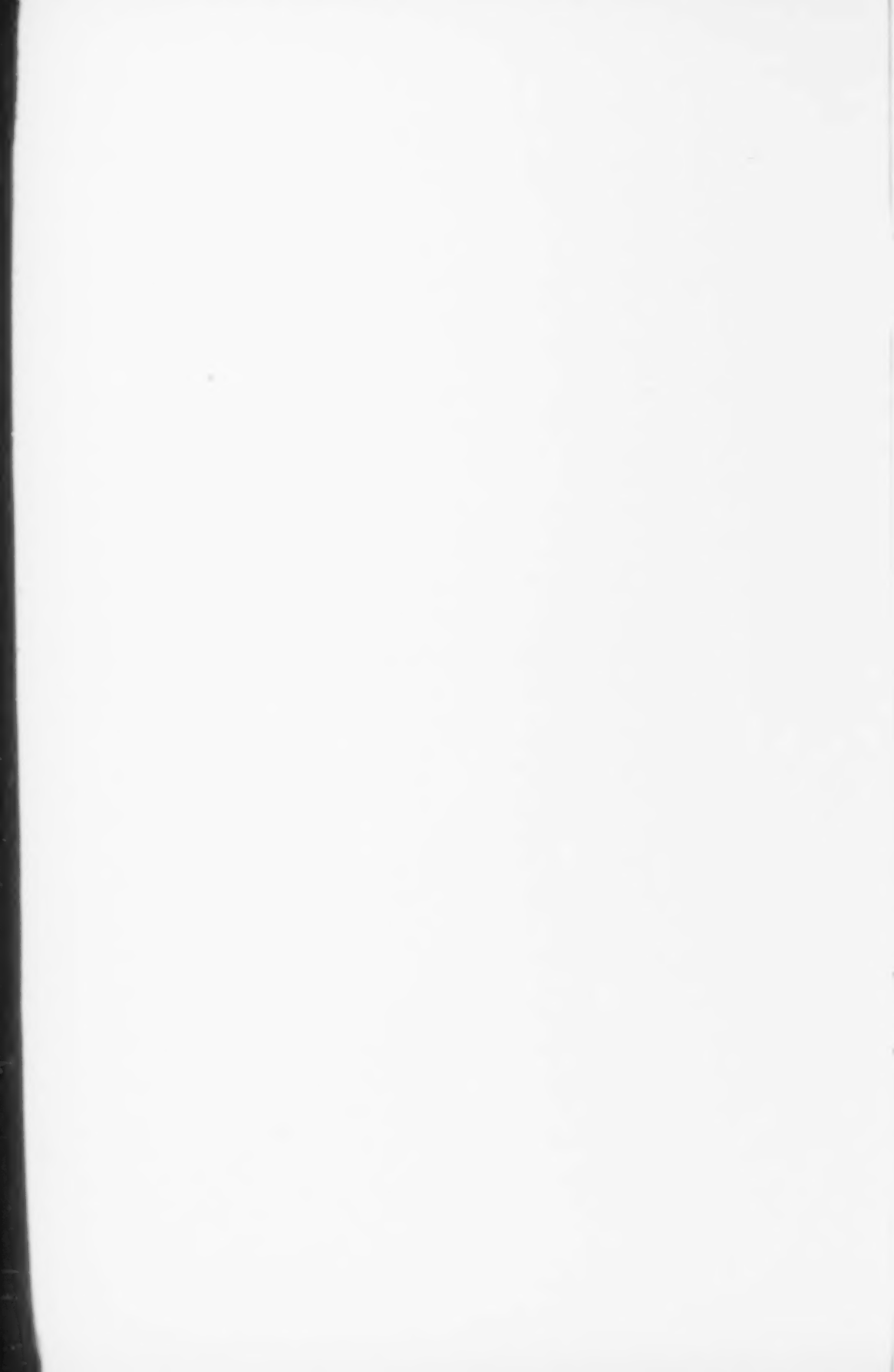


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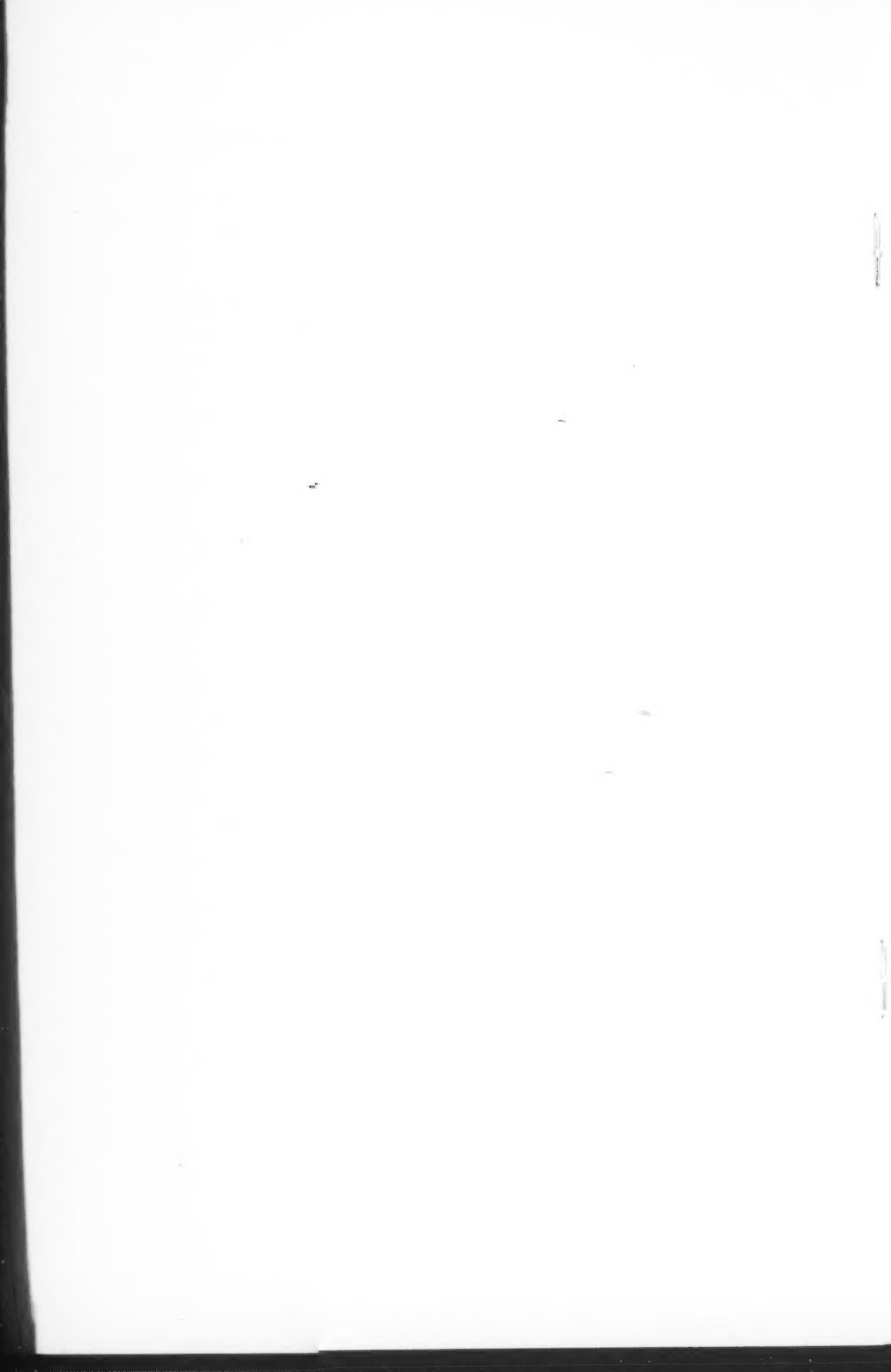
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**BRIEF FOR RESPONDENT
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OPINIONS BELOW

The opinion of the Court of Appeals for the Second Circuit, Circuit Judges Oakes, Winter (dissenting), and Pratt, is reported at 792 F.2d 315 (Pet. App. A). The memorandum and order of the United States District Court for the Eastern District of New York, District Judge Charles P. Sifton, is reported at 627 F. Supp. 911 (Pet. App. B).

JURISDICTION

The judgment of the court of appeals was entered on June 9, 1986 (Pet. App. C). By order dated August 27, 1986, this Court extended the time within which Olympus could file its petition for a writ of certiorari (Pet. App. D).

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254 (1).

STATUTE AND REGULATION INVOLVED

Petitioner has set out the relevant portions of Section 526 of the Tariff Act of 1930, 19 U.S.C. § 1526, and the Customs Service regulation, 19 C.F.R. § 133.21 (Pet. Br. 2-3).

STATEMENT

K mart submits this brief in response to the Olympus Petition for a Writ of Certiorari and to urge that this Court not reexamine or modify the long-standing Federal policy embodied in Customs Service regulation 19 C.F.R. § 133.21. That regulation permits the importation of trademarked goods manufactured abroad by or under the authority of a United States trademark owner or its foreign affiliate. Such goods are frequently called "parallel imports" or "gray market" goods.

K mart operates more than 2,000 discount department stores in the United States. Relying on some 50 years of Customs Service regulation and practice, K mart purchases parallel imports because of their lower price and because trademark owners refuse to sell directly to price competitive retailers such as K mart. K mart sells parallel imports to the consumer at up to 40% less than the fixed price which Olympus and other foreign-controlled trademark owners seek to maintain in the United States.

At issue is Customs Service regulation 19 C.F.R. § 133.21 (c), which interprets and applies Section 526 of the Tariff Act of 1930 and Section 42 of the Lanham Act. A United States trademark owner can generally prevent the "unauthorized" or "independent" importation of genuine trademarked merchandise manufactured abroad, *i.e.*, "parallel imports" or "grey market goods."

The Customs Service, however, does not recognize or enforce the domestic trademark owner's right to such exclusion under two narrow circumstances: (1) When the domestic and foreign trademark owners are affiliated; and (2) when the goods have been trademarked abroad with the authorization of the domestic trademark owner.

The Customs Service regulation rests on sound historical and public policy footings. Section 526 was enacted in 1922 for the express purpose of protecting independent American companies which had purchased domestic trademark rights from foreign companies, specifically to negate the decision in *A. Bourjois & Co. v. Katzel*, 275 F. 539 (2d Cir. 1921). There was not, at the time, any significant quantity of parallel imports of the type Olympus seeks to exclude in this case, and there is nothing to indicate that Congress ever intended Section 526 to protect foreign manufacturers from price competition in their trademarked goods.

ARGUMENT

The issues raised by the Olympus petition for certiorari are identical to those raised by petitions for certiorari filed some weeks ago by each of the respondents herein and which the Court granted on December 8, 1986. *K mart Corp. v. Cartier, Inc.*, No. 86-495 (Sept. 26, 1986); *United States v. Coalition to Preserve the Integrity of American Trademarks*, No. 86-625 (Oct. 16, 1986); and *47th Street Photo, Inc. v. Coalition to Preserve the Integrity of American Trademarks*, No. 86-624 (Oct. 16, 1986). By having granted these petitions, the Court will shortly review the decision of the United States Court of Appeals for the District of Columbia Circuit in the so-called *COPIAT* case, *Coalition to Preserve the Integrity of American Trademarks v. United States*, 790 F.2d 903 (D.C. Cir. 1986).¹

¹ K mart has no objection to Olympus participating as an *amicus* in the Court's review of *COPIAT*. See Supreme Court Rule 36.2.

The Court's decision in *COPIAT* will effectively moot the Olympus petition.² Namely, the Court's opinion on the merits in *COPIAT* will enable the Court to resolve summarily all the issues which Olympus has raised in its petition.³

REASONS FOR DENYING THE WRIT

This Court should not grant the Olympus petition for a writ of certiorari because the Court of Appeals for the Second Circuit was correct in approving the Customs Service interpretation and enforcement of Section 526 of the Tariff Act of 1930 (and Section 42 of the Lanham Act). The decision below is consistent with the majority of recent decisions which have considered this issue, namely: *Vivitar Corp. v. United States*, 761 F.2d 1552 (Fed. Cir. 1985), *aff'g* 593 F. Supp. 420 (Ct. Int'l Trade 1984), *cert. denied*, 106 S.Ct. 791 (1986); *Coalition to Preserve the Integrity of American Trademarks v. United States*, 598 F. Supp. 844 (D.D.C. 1984), *rev'd*, 790 F.2d 903 (D.C. Cir. 1986), *petitions for cert. granted*, Nos. 86-495, 86-624, 86-625 (Dec. 8, 1986); and *Olympus Corp. v. United States*, 627 F. Supp. 911 (E.D.N.Y. 1985), *aff'd*, 792 F.2d 315 (2d Cir. 1986).⁴

² K mart takes no position on the issue of jurisdiction raised on appeal and/or in this Court by certain parties in *Olympus* and *COPIAT*.

³ The Court has already denied certiorari in a case substantively identical to the present one. *Vivitar Corp. v. United States*, 761 F.2d 1552 (Fed. Cir. 1985), *aff'g* 593 F. Supp. 420 (Ct. Int'l Trade 1984), *cert. denied*, 106 S.Ct. 791 (1986).

⁴ Parallel imports have also survived trademark law and/or tariff law challenges in the following cases, among others: *United States v. Guerlain*, 155 F. Supp. 77 (S.D.N.Y. 1957), *vacated & remanded*, 358 U.S. 915 (1958), *dismissed*, 172 F. Supp. 107 (S.D.N.Y. 1959); *Monte Carlo Shirt, Inc. v. Daewoo International (America) Corp.*, 707 F.2d 1054 (9th Cir. 1983); *Bell & Howell: Mamiya Co. v. Masel Supply Co.*, 719 F.2d 42 (2d Cir. 1983), *vacating and remanding* 548 F. Supp. 1063 (S.D.N.Y. 1982);

Although these decisions differ somewhat in semantics, in rationale or in dicta, they all basically hold that the Customs Service regulation properly interprets Section 526 or that it is a proper exercise of agency enforcement discretion. Taken together, they constitute a remarkably strong endorsement of a long-standing agency practice.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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